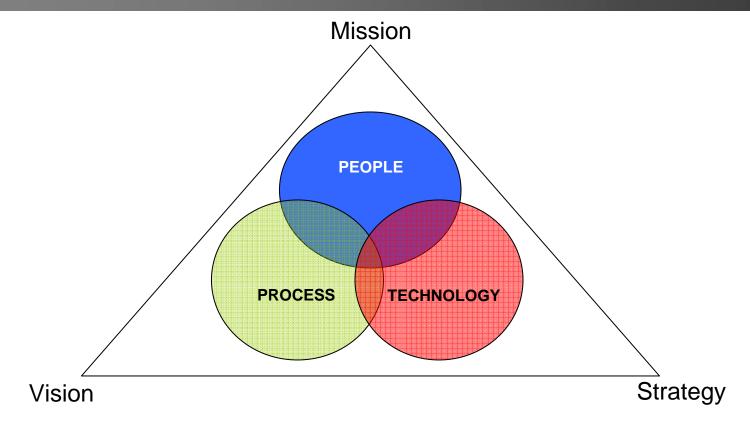


ERP Overview
Officer Professional Development Session
June 2005



Enabling Army Transformation





Enterprise Resource Planning (ERP):

An integrated multi-module software system that typically supports ERP. An ERP system typically includes a relational database and applications for managing purchasing, inventory, personnel, customer service, shipping, financial planning, and other important aspects of the business.



Army Enterprise Integration Oversight Office

Agenda



0900 – 0905	Opening Remarks	Ms. von Bernewitz
9:05 – 9:35	ERP Overview	Speaker
9:40 – 10:10	ERP Lessons Learned	
10:15 – 10:40	DoD ERP Landscape	
10:45 – 10:55	Questions	
10:55 – 11:00	Closing Remarks	Ms. von Bernewitz





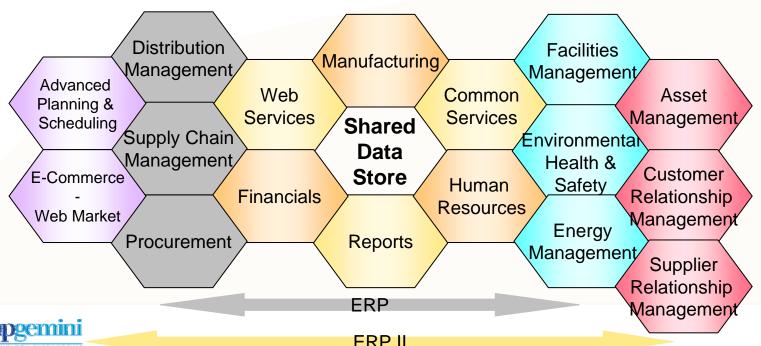
ERP Overview



Enterprise Resource Planning Overview – What is ERP?

An ERP system is an integrated packaged business software system that allows a company to:

- Automate and integrate the majority of its business processes
- Share common data and practices across the entire enterprise
- Produce, access, and manage information in a real time environment
- Configure applications to meet business needs based on best practices across industries and companies (built into software)

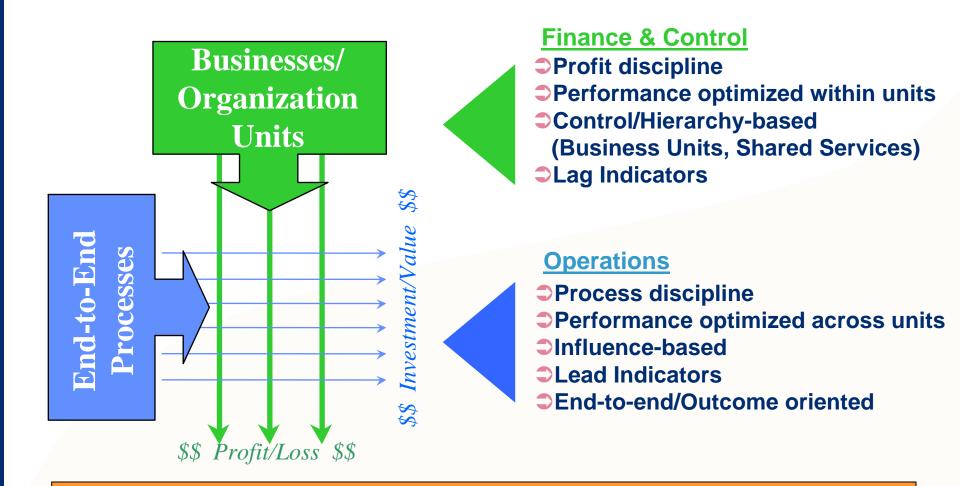


Enterprise Resource Planning Overview – History of ERP

- New class of planning and resource management information systems
- Concept grew out of Material Requirements Planning (1960's) in Manufacturing industry
 - Set of techniques that used inventory data, billing, and production schedules to calculate materials requirements for replenishment
- ERP evolved to enable integration of all processes across functions
 - SAP was the first 5 former IBM employees created standard software for integrated business solutions (1972)
- Manufacturing Resource Planning (MRP II) introduced the concept of integrating financials with the manufacturing work-in-process (1980's)
- ERPs are now Commercial-Off-the-Shelf (COTS) business solutions specialized by business process, function, and industry, with three key elements:
 - Data One common set for entire company, entered only once
 - Integration Process, store, and move data using a suite of software
 - Module functionality Process drives program interaction with databases



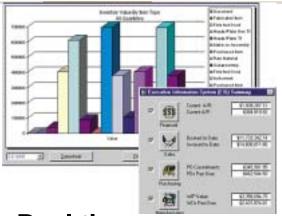
Benefits: ERP Enables Corporations to Optimize Performance Along Two Critical Dimensions



Successful ERP demands a common model for both views



What Is the Value to the Business?



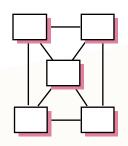
Real time response to business problems



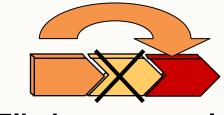
Reduction in costs



Business processes cross organizational "silos"



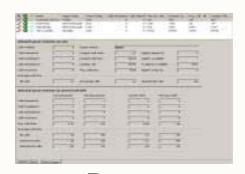
Everyone sees the same data



Eliminate non-value add activities



Continuous process improvement



Better information for decision making



Example potential cost savings

HR Area	Savings Achieved*	Examples of Transformation in HR
Compensation & Benefits Management Comp & Benefits Administration Payroll	Up to 20%	 Consolidation of various HR operations and the development of an HR call center with interactive voice response system
Transaction ProcessingEmployee Self-ServiceManager Self-ServiceeRecruiting	20% – 40%	 Implementation of ERP self-service module to enable employees and managers to perform transactions directly with disintermediation of HR resources resulted in reduction of headcount and operational HR costs by 20%
 Workforce Excellence eLearning Knowledge Management & Community World Class Productivity 	20% - 50%	 Implementation of web-based learning enabled reduction of cost per training hour by 40% and reduced training development costs by 10%. Leveraging Portals enabled automation of data input into core systems, reduced 70 positions globally and increased training time by 20% with out any productivity loss.
Transformational Outsourcing	Over 10%	 Transformational outsourcing of non-core functions such as HR transaction processing resulted in recurring savings of overall costs, reduction in 12% HR FTE and reduced HR cycle times by a minimum of 20%.

^{*} The benefits of improving the performance of corporate functions impacts both the corporate functions within as well outside firm-wide. The external benefits can be significant and include e.g., firm-wide productivity improvements that can result in improved revenue generation, improved employee retention, increased & improved client service delivery and connectivity. The actual benefits varies significantly from firm to firm depending on the cost approach taken and the technology infrastructure



Critical Success Factors

Manage Expectations – THE WHY

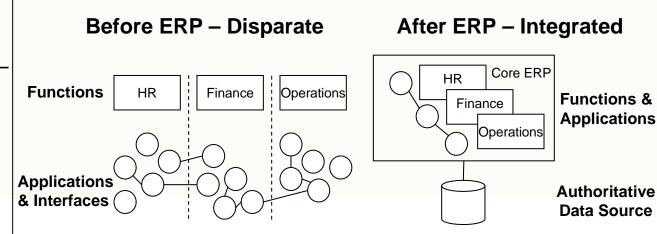
- Maximum use of COTS templates take advantage of the best practices built in
- Focus on the 'to-be' business processes, not the 'as-is' situation
- Experienced Project Manager familiar with the package is a must

Know Your Scope – THE WHAT

- Clarify the business mission capability needed end-to-end requirements
- Testing is key validate configuration with iterative process and test, test, test

Pick the Right Approach – THE HOW

- Selection and planning: addresses two most critical ERP technology issues:
 - Scope and scalability
- Complexity Realign processes to fit applications (business process management)
- Risk Management
- Timeline / Schedule
- Strategic Alignment integration of business processes and IT





Critical Success Factors (cont.)

Focus on the Stakeholders – THE WHO

- Involve users throughout (start to finish)
- Focus on culture/change-orientation
 - Effective communications and training before, during and after implementation!

Have Committed Sponsors – THE BACKERS

Strong support from Senior Leadership – and across the chain of command

Avoid Customizations – Stick to Standard Functionality – THE ENABLER

 No vendor can "do it all" – but changes and customizations are costly to make, and to maintain, strong business case should be required for any customization

'Go-Live' is not the end of the project – Continuous Improvement

- Document all new business processes, re-write job descriptions, formalize training
- Consider applications maintenance contract
- New system demands will appear -- upgrade the ERP system and maintain support

Availability of key resources is essential for a successful implementation

- Needs buy-in from the organization/stakeholders
- ERP is an enabler -- key resources know processes to be supported and in what way



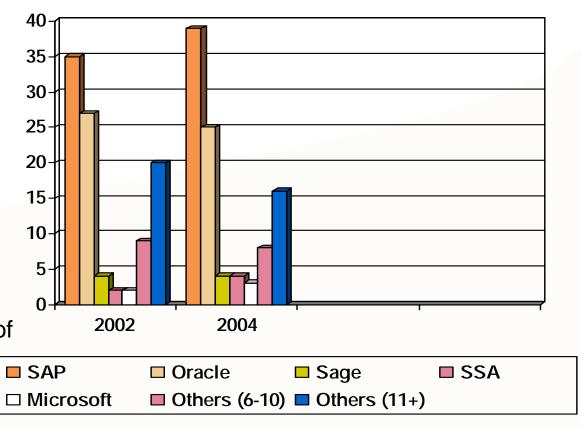
What is the ERP market place like?

• \$22B in 2004 vs \$20B in 2002

8 -10% + growth per year

■The top 2 players now own more than 60% of this market with consolidations of JDE, PS, and Oracle



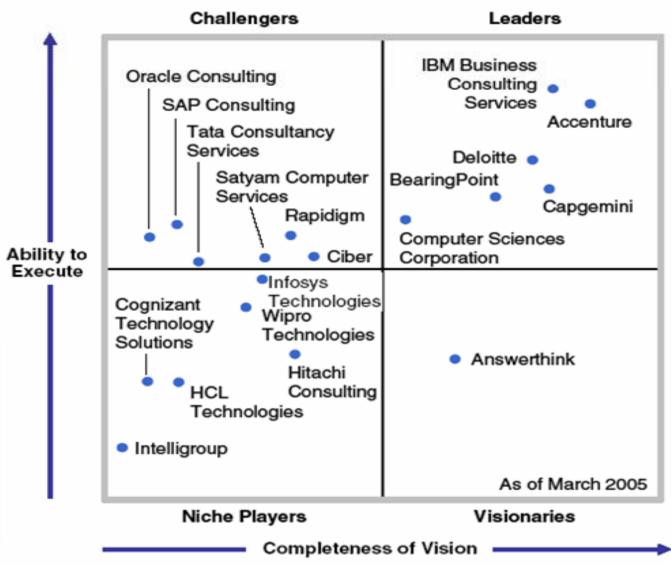


Oracle includes JDE & PeopleSoft



Who are the ERP Service Providers?

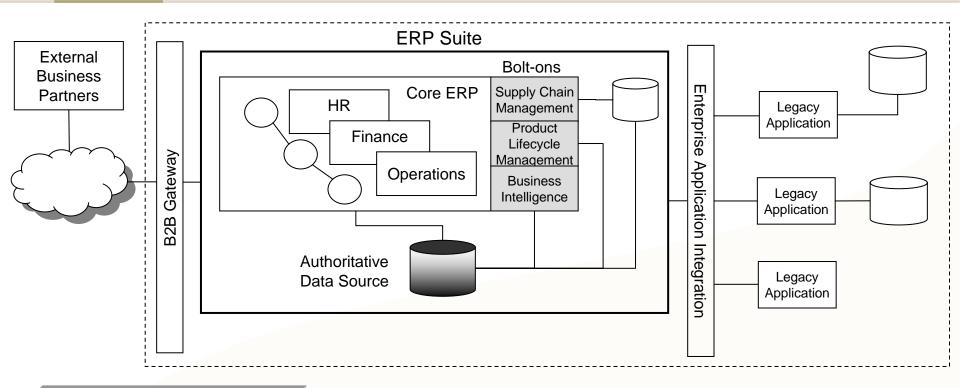
Figure 2. Magic Quadrant for North American ERP Service Providers, 2005





Source: Gartner Research (March 2005)

ERP Core Systems and bolt-ons



Core ERP Functions:

- Human Resources
- Finance
- Operations

Bolt-ons (Add-ins)

- Advanced Planning & Scheduling
- Asset Management
- Customer Relationship Management
- Distribution Management
- Energy Management

- Environmental Health and Safety
- Facilities Management
- Procurement
- Supplier Relationship Management
- Supply Chain Management
-and more



Roles of Vendor vs System Integrator (SI)

- Vendor Strengths
 - Skilled in Application
 - Help Desk Support of Application
 - Supports Software (patches, fixes, application bugs)



- System Integrator Strengths
 - Project Management Skills (PMP)
 - Change Management and Training Development Skills
 - Integration of ERP application with legacy systems
 - Use of application in business areas and best practices with ERP
 - Finance
 - Human Resources
 - Operations
 - Gap resolution with 3rd party tools and bolt-on applications
 - Focus on Industry/Business Area



Summary

ERP Implementations are large and complex

- Many integration points with system modules and internal legacy systems
- Leveraging 'best practices' of system WILL result in CHANGE
- To support and maintain changes as well as decisions made need strong and involved executive support
- Use experienced SI with strong credentials in delivering successful ERP programs

Not a systems project but MUST be a BUSINESS project

- Leadership and sponsorship should come from the functional business area(s)
- Clearly identify business case and expected results (Who, What, Where, When, How) – measure throughout not just after
- Need collaboration and strong participation of stakeholders during design to create successful model and momentum
- Change Management strategy and practices are key to success of program implementation and sustainability



ERP: Lessons Learned

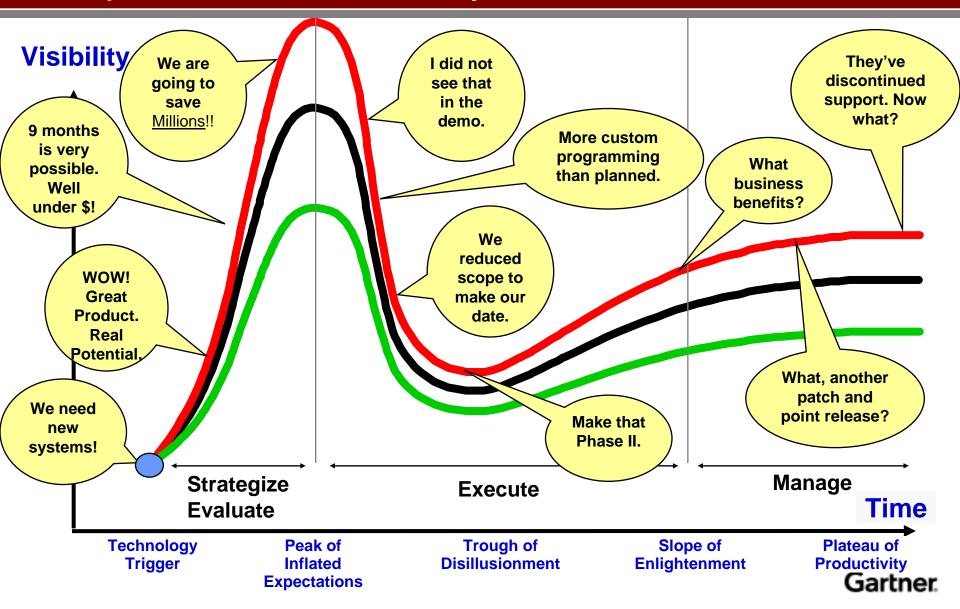




ERP Objectives

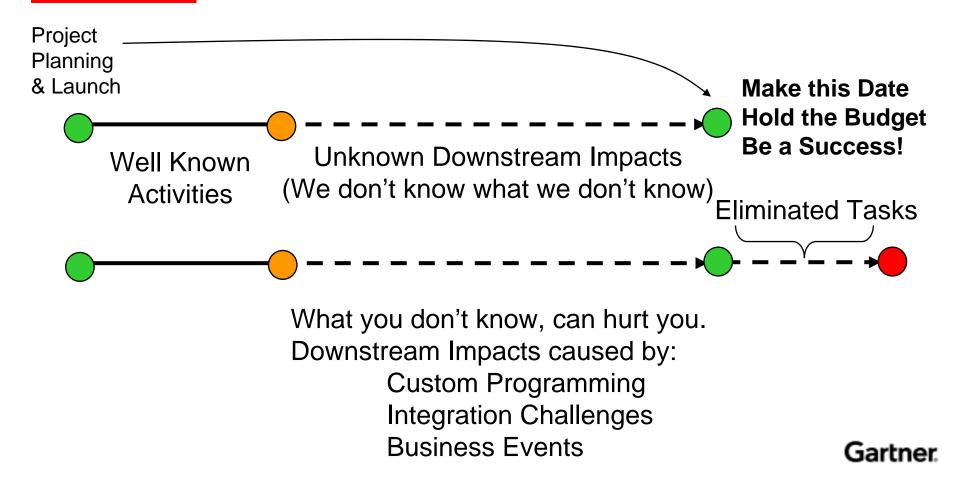
- Leverage vendor development
- Get out of the software business
- Leverage "best practices"
- Common database and data definitions
- Leverage packaged integration
- Enable a business transformation
- Deeper and broader support and documentation
- Leverage new technology
- Achieve compliance

Implementation Reality



How to Define Success

Success is typically defined as being on time and on budget. When measuring success, also look at whether program objectives are achieved.



Lessons Learned

- Multiple process versions
 - Standardization dreams turn into configuration nightmares as unique configuration needs by site minimize ability to gain efficiency
- Address both operational and management processes
 - Business process education is required in addition to system-use training
- Governance
 - Decision hierarchy must support rapid response to avoid stalling the implementation

Lessons Learned

It's not over until the interfaces are done

Data ownership / stewardship / quality assurance is a complicated issue

- Cutting testing effort due to timing / budget constraints costs more in the long run
- Structured organizational change efforts reduce resistance, minimize
 FUD, and improve willingness to work through start-up issues

Organizational Change: People Issues are Often Minimized

Won't Change



Traits

- Not bought in
- **Threatened**
- **Pride in Ownership**
- **Experienced Previous Failures**

Strategies

- Communication
- **Active Engagement**
- **Responsible for Change**
- Incentive
- **Decisive Leadership**
- **Biggest Critic to Biggest Advocate**

Can't Change



Traits

- **Lacking Skills**
- **Lacking Understanding**
- Would Rather Quit

Strategies

- Communication
- **Engagement**
- **Training**
- **Career Counseling**

What Change?



Traits

- **Ambivalent**
- Follower

Strategies

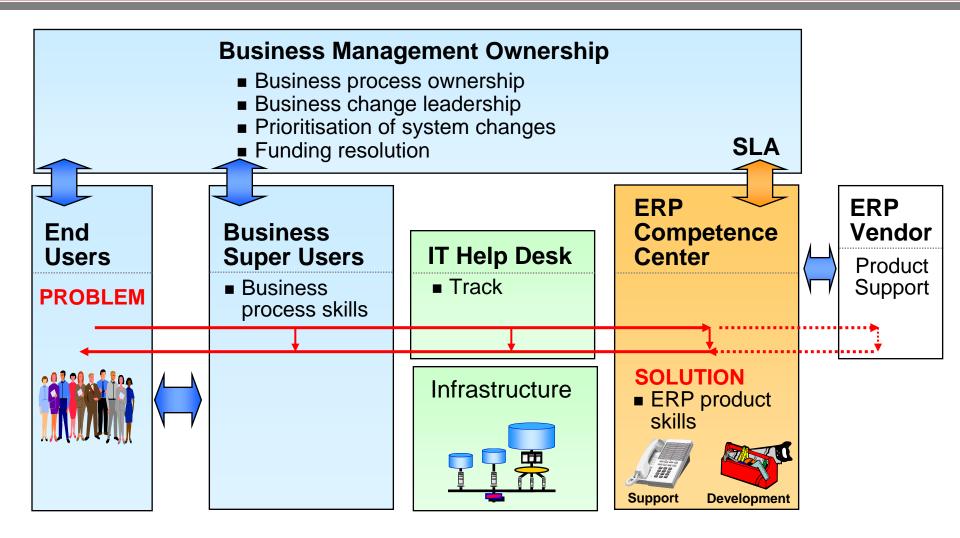
- Communication
- **Engagement**
- **Exposure**
- **Training/Education**
- Support

Gartner.

The Competence Center Model

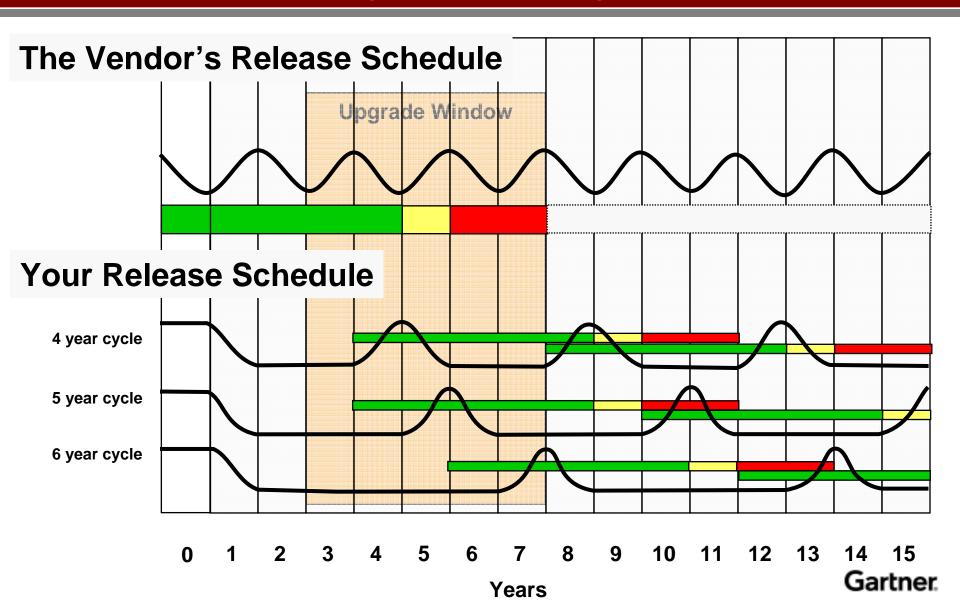
Business Process Support	User Interface Support	Business Process Enablement	Applications Development and Integration	Application Operations	Infrastructure Support
 Super-User-Based Level One Triage Training 	■ PC ■ Network	 All Business Applications End-to-End Process Support Application Config. Knowledge Management Meta and Master Data App. Vendor Comms. Link to Business 	 Application Development Application Integration and Middleware BI and DW Development and Integration Business Partner Integration Any-Shore Resource Management 	 Architecture Database Admin. Back-up and Recovery Security Environments Software Change Mgmt. Patches Archiving Tuning SLA 	HardwareStorageDisaster Recovery
Business Unit	IS	Competence Center			IS

Post-Go-Live ERP Support Model: The Complete Picture



Key: Processes ———

Establish An Upgrade Management Plan



Army Enterprise Integration Oversight Office





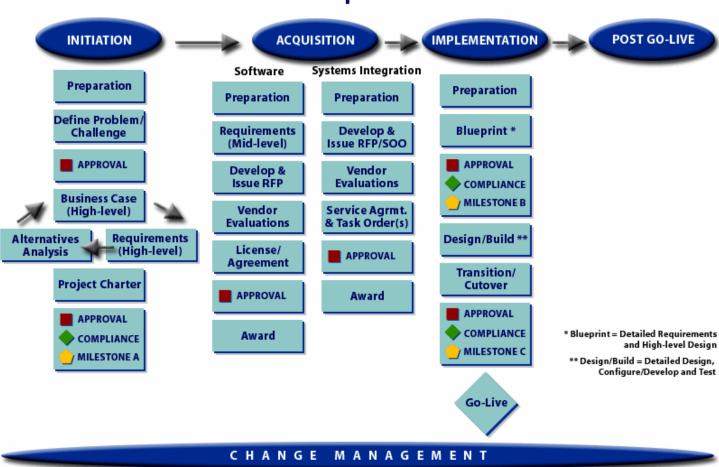
DoD ERP Landscape
June 2005



El Toolkit Roadmap









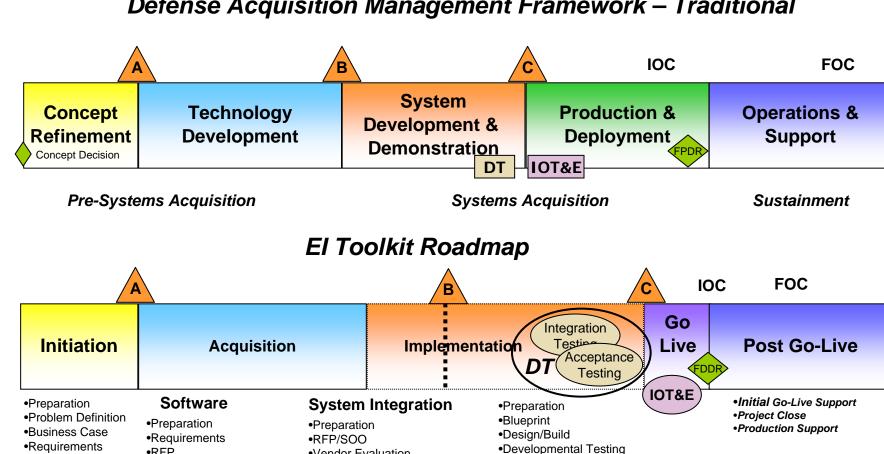
http://www.eitoolkit.com/overview.cfm

- Army Enterprise Integration Oversight Office

DoD 5000 / EI Toolkit



Defense Acquisition Management Framework – Traditional



Transition/Cutover

For information abut the tools see:

http://www.eitoolkit.com/tools.cfm



Alternatives

Charter

Army Enterprise Integration Oversight Office

Vendor Evaluation

Award

Service Agreement & Task Order

•RFP

Award

Vendor Evaluation

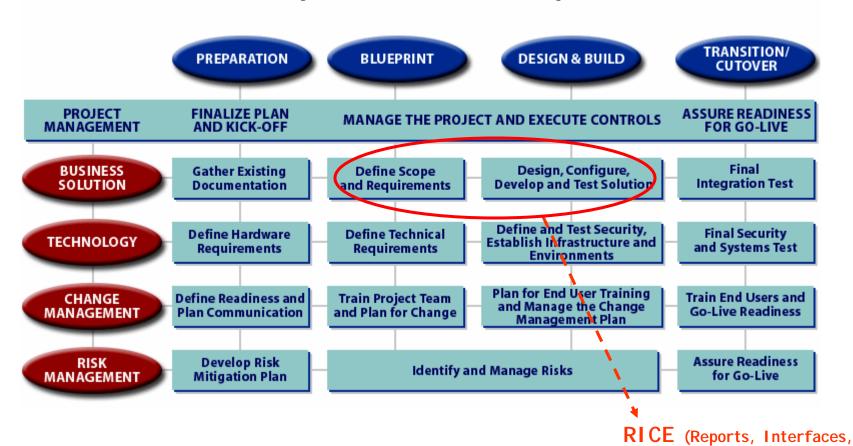
License/Agreement

29

EI Toolkit



Implementation Road Map



http://www.eitoolkit.com/impl.cfm

nttp://www.eitooikit.com/impi.cim

30

Conversions, Extensions)





RICE



Example of RICE pricing table for software objects

R.I.C.E. Pricing Table				
	Complexity			
	Low	Medium	High	
Reports & Forms	\$3,592.52	\$6,286.91	\$8,083.17	
Interfaces	\$3,592.52	\$10,777.56	\$21,555.13	
Conversions	\$7,668.88	\$23,006.63	\$46,013.27	
Extensions and Workflows	\$9,580.06	\$29,937.68	\$80,232.98	

Price includes creation of technical specifications, coding, documentation and unit testing.



Source: "DoD ESI's Successful New Approach for Enterprise Resource Planning", Chris Panero

Army Enterprise Integration Oversight Office

ESI Enterprise Agreements



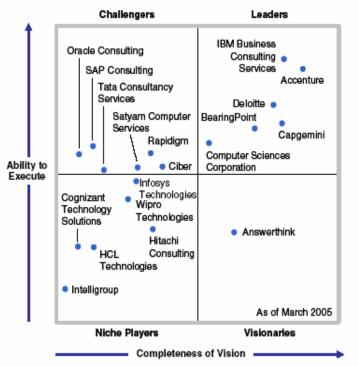
Systems Integration Services

Lead Service is Navy		
BPA for vendors: 3-May-04 to 3-May-09	Contract Awards as of: 1-May-05	
Accenture	None	
BearingPoint	None	
CSC	None	
Deloitte	None	
IBM	DLA Food Service Mgt (\$46M over 5 yrs)	

Software Purchase Agreements

Walo	<u> arona</u>	<u> </u>	HIGHRO
Lead Servic e	Date Awarded	Term of Contract	Purchases through Dec- 04 DoD / Army
Army	27-May-	31 May	\$24M /
	99	2005*	\$12M
Navy	25-Jun-	GSA FSS	\$7.5M /
	03	schedule	\$3.1M
Navy	14-Feb-	GSA FSS	\$7.5M /
	02	schedule	\$4.4M ₃₂
	Servic e Army Navy	Lead Servic eDate AwardedArmy27-May- 99Navy25-Jun- 03Navy14-Feb-	Lead Servic eDate AwardedTerm of ContractArmy27-May- 9931 May 2005*Navy25-Jun- 03GSA FSS scheduleNavy14-Feb-GSA FSS

Magic Quadrant for North American ERP Service Providers, 2005



Source: Gartner Research (March 2005)

^{*} Extension to Oracle BPA is in process

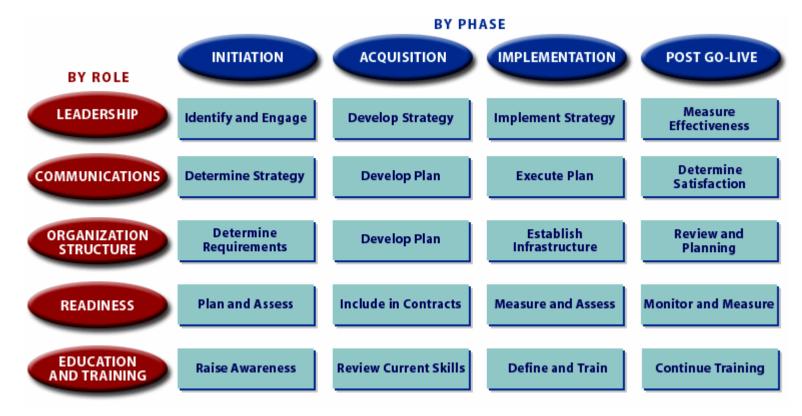




EI Toolkit



Change Management

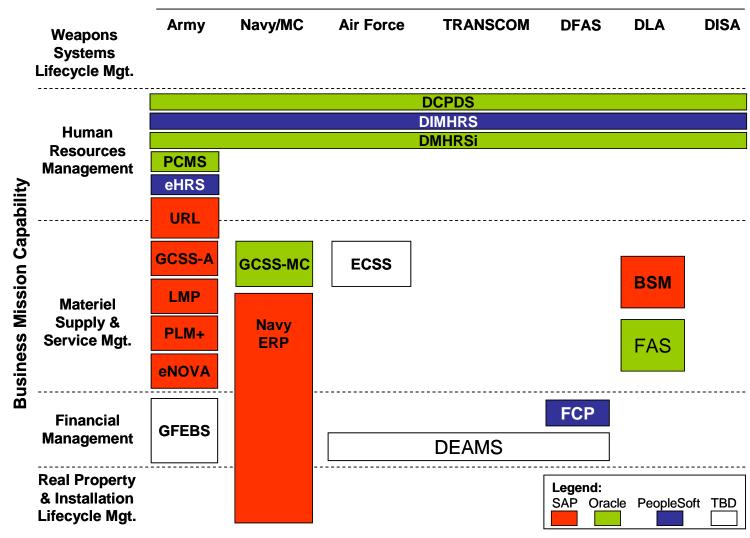




http://www.eitoolkit.com/cm.cfm

DoD ERP Programs







34

ERP Benefits the Army

us together!



Now I have time to analyze the data instead of just punching numbers

I have the same info corporate does!

I only enter data one time!

Workflow is visible from everywhere!

One "system" means no interconnectivity issues!

ERP is bringing

Information is readily available

We're all working from the same set of books!



- Army Enterprise Integration Oversight Office